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GENERAL

1. Comment on Soviet note to Austria:

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[redacted] The 29 July Soviet note to Austria repeats familiar attacks on the abbreviated treaty and does not alter Moscow's position. It seems designed chiefly to create dissension in the West by asking Austria to reject the abbreviated draft.

The Kremlin's decision to send the note to Austria rather than reply to the Western note of 12 June, suggests that recent Austrian demarches have encouraged the USSR to seek more direct contact with Vienna. This bilateral approach is not likely to further an Austrian settlement but serves to undercut Allied-Austrian relations.

The almost simultaneous announcement that the USSR will no longer require Austrian compensation for occupation costs is the most important concession the Kremlin has yet made to the Austrians. Although the actual sums involved are relatively small, the Soviet move is likely to have a considerable impact on the Austrians and result in popular support for the Soviet position.

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NEAR EAST - AFRICA

2. Syria allegedly supports Arab refugee raids into Israel:

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[redacted] Syrian dictator Shishakli and the ex-Mufti reached an understanding permitting direction from Syria of para-military raids.

Comment: Such activity would be consonant with Shishakli's belligerent attitude toward Israel and would strengthen his domestic political position. Knowledge of such Syrian activity would invite retaliation by Israel and preclude an early settlement of the frontier issue.

WESTERN EUROPE

3. East German manifesto believed to show Communist weakness:

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[redacted] American officials in Berlin see indications of party weakness in the 28 July policy declaration of the East German Communist Central Committee following its analysis of the 17 June demonstrations.

They predict that the statement will fail in its purpose of creating popular support for two reasons. It insults the workers by asserting that the demonstrations were generated by fascist agents and not spontaneous. Furthermore it reasserts the basic correctness of past party policy, admitting only that the tempo was too fast, thereby dampening hopes for fundamental economic or political changes.

LATIN AMERICA

4. Land reform decree threatens violence in Bolivia:

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[redacted] the Bolivian cabinet has split over the new land reform decree which is scheduled to be issued

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on 2 August. The right wing of the governing Nationalist Revolutionary Movement violently opposes the decree.

Comment: Many right-wing members of the government party are landowners. Although the decree reportedly will call for a gradual, orderly process of reform with compensation for expropriated lands, the controversy over it may bring to a head various intraparty disputes.

Meanwhile the powerful Bolivian Labor Confederation last week passed a resolution demanding land nationalization without compensation, and organization of the Indians into collectives to work the landed estates. If the agrarian syndicates, some of which are led by Communists, follow this line rather than the expected milder government proposals, serious civil disturbances may result.